

THE STATE OF NEVADA

PERMIT TO APPROPRIATE WATER

Name of applicant: **KLONDEX GOLD & SILVER MINING COMPANY**
Source: **UNDERGROUND**
Basin: **CRESCENT VALLEY**
Manner of Use: **MINING, MILLING AND DEWATERING**
Period of Use: **January 1st to December 31st**
Priority Date: **04/30/2008**

PROTESTED: **Pershing County Water Conservation District of Nevada, 5/29/2008**

PROTEST OVERRULED: **This temporary in nature permit will not adversely affect the waters of the Humboldt River.**

APPROVAL OF STATE ENGINEER

This is to certify that I have examined the foregoing application, and do hereby grant the same, subject to the following limitations and conditions:

This permit is issued subject to existing rights. It is understood that the amount of water herein granted is only a temporary allowance and that the final water right obtained under this permit will be dependent upon the amount of water actually placed to beneficial use. It is also understood that this right must allow for a reasonable lowering of the static water level. This well shall be equipped with a two (2) inch opening for measuring depth to water. If the well is flowing, a valve must be installed and maintained to prevent waste. A totalizing meter must be installed and maintained in the discharge pipeline near the point of diversion and accurate measurements must be kept of water placed to beneficial use. The totalizing meter must be installed before any use of water begins, or before the Proof of Completion of Work is filed. This source is located within an area designated by the State Engineer, pursuant to NRS 534.030. The State retains the right to regulate the use of the water herein granted at any and all times.

This permit does not extend the permittee the right of ingress and egress on public, private or corporate lands.

The well must be sealed with cement grout, concrete grout or neat cement from ground level to 100 feet.

The total combined duty of water under Permit 28637, Certificate 10558, Permits 75129, 77002 and 77003 shall not exceed 283 acre-feet annually.

This permit is issued under the preferred use provisions of NRS Chapter 534. The manner of use of water under this permit is by nature of its activity a temporary use and any application to change the manner of use granted under this permit will be subject to additional determination and evaluation with respect to the permanent effects on existing rights and the resource within the ground water basin.

(Continued on Page 2)

The issuance of this permit does not waive the requirements that the permit holder obtain other permits from State, Federal and local agencies.

The point of diversion and place of use are as described on the submitted application to support this permit.

The amount of water to be appropriated shall be limited to the amount which can be applied to beneficial use, **and not to exceed 0.223 cubic feet per second or 161 acre-feet annually.**

Work must be prosecuted with reasonable diligence and proof of completion of work shall be filed on or before:

November 16, 2010

Water must be placed to beneficial use and proof of the application of water to beneficial use shall be filed on or before:

November 16, 2013

Map in support of proof of beneficial use shall be filed on or before:

N/A

IN TESTIMONY WHEREOF, I, TRACY TAYLOR, P.E.,

State Engineer of Nevada, have hereunto set my hand and the seal of my office, this 16th day of **November**, A.D. **2009**

T. Taylor, P.E.
State Engineer

Completion of work filed _____

Proof of beneficial use filed _____

Cultural map filed _____

Certificate No. _____ Issued _____

llb

**APPLICATION FOR PERMIT TO APPROPRIATE THE PUBLIC
WATERS OF THE STATE OF NEVADA**

THIS SPACE FOR OFFICE USE ONLY	
Date of filing in State Engineer's Office	<u>APR 30 2008</u>
Returned to applicant for correction	_____
Corrected application filed	Map filed <u>APR 30 2008</u> under <u>77002</u>

The applicant Klondex Gold & Silver Mining Company
530 Melarkey Street, Suite 202 of Winnemucca
Street Address or P.O. Box City or Town
Nevada 89445 hereby make(s) application for permission to appropriate
State and Zip Code

the public waters of the State of Nevada, as hereinafter stated. (If applicant is a corporation, give date and place of incorporation; if a copartnership or association give names of members.)
Incorporated in the State of Nevada, on June 8, 1989.

- The source of water is an underground source
Name of stream, lake, underground, spring or other sources.
- The amount of water applied for is 0.223 second feet.
One second foot equals 448.83 gallons per minute.
(a) If stored in reservoir give number of acre-feet _____
- The water to be used for Dewatering
Irrigation, power, mining, commercial, domestic or other use. Must limit to one major use.
- If use is for:
 - Irrigation, state number of acres to be irrigated _____
 - Stockwater, state number and kind of animals _____
 - Other use (describe fully in No. 12) _____
 - Power:
 - Horsepower developed _____
 - Point of return of water to stream _____

GA-L12

5. The water is to be diverted from its source at the following point: (Describe as being within a 40-acre subdivision of public survey, and by course and distance to a found section corner. If on unsurveyed land, it should be so stated.)
- within the NE1/4 of the NE1/4 of Section 22, T.30N., R.47E., M.D.M., or at a point from which the NE corner of said Section 22 bears North 37°14' 20" East a distance of 1,527 feet. Said well being depicted as the "Production Well" as shown on the map in support of this Application.

6. Place of use: (Describe by legal subdivision. If on unsurveyed land, it should be so stated.)

A portion of Sections 9 and 10 and all of Sections 14, 15, 22, 23 and 24 T.30N., R.47E., M.D.M., and all of Sections 19, 20, 21 T.30N., R.48E., M.D.M.

7. Use will begin about January 1st and end about December 31st of each year.
Month and Day Month and Day
8. Description of proposed works: (Under the provisions of NRS 535.010 you may be required to submit plans and specifications of your diversion or storage works.) (State manner in which water is to be diverted, i.e. diversion structure, ditches and flumes, drilled well with pump and motor, etc.)
9. Estimated cost of works: \$50,000.00
10. Estimated time required to construct works: 9 months
(If well completed, describe works.)
11. Estimated time required to complete the application of water to beneficial use: 5 (five) years
12. Provide a detailed description of the proposed project and its water usage (use attachments if necessary):
(Failure to provide a detailed description may cause a delay in processing.)

13. Miscellaneous remarks:

Excess water will be treated and discharged into Fire Creek.

GLindesmith@TristateLtd.com

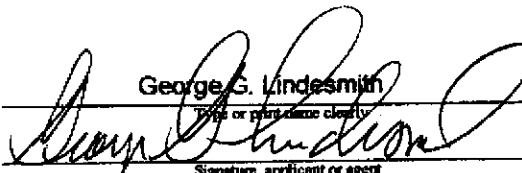
E-mail Address

775-358-9491

Phone No.

APPLICATION MUST BE SIGNED
BY THE APPLICANT OR AGENT

By

George S. Lindesmith
Type or print name clearly

Signature, applicant or agent
Tri State Surveying, LTD.
Company Name
1925 E. Prater Way
Street Address or P.O. Box
Sparks, NV 89434
City, State, Zip Code

\$250 FILING FEE AND SUPPORTING MAP MUST ACCOMPANY APPLICATION

Revised 11-07

Protested: May 29, 2008, by Pershing County Water Conservation District of Nevada
Pro. Overruled 11/16/2009 See Permit